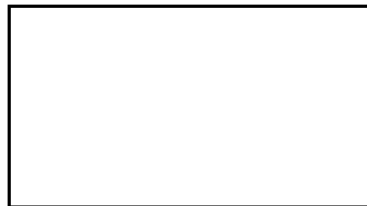


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1	HR		
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	ACTION	DIRECT REPLY	PREPARE REPLY
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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday January 5, 1977 CI NIDC 77-003C

State Department review completed

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National Intelligence Daily Cable for Wednesday January 5, 1977.

The NID Cable is for the purpose of informing senior US officials.

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WEST GERMANY - MIDDLE EAST

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[] West Germany is taking initiatives to encourage Middle East peace negotiations.

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[] Foreign Minister Genscher said last week that recent statements by Arab and Israeli politicians suggested that the Geneva conference could be reconvened and that it would be "useful" if all those interested in a Middle East solution would take initiatives to promote the conference.

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[] Genscher disclosed that he had recently sounded out the ambassadors from Jordan, Saudi Arabia, Egypt, and Israel on the situation in the Middle East and how to arrange a peaceful solution there. According to a Foreign Office official, Genscher urged the three Arab ambassadors to seek to have their governments influence the Palestine Liberation Organization to recognize Israel's right to exist within secure borders.

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[] The foreign minister said that he intends to visit Jordan, Syria, and Israel in the next several months. He also expects to play host to a visit to Bonn by the Egyptian foreign minister.

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[] Genscher reportedly plans to use his trip to urge both patience and greater initiative by the states directly involved in a possible peace settlement. He hopes to avoid becoming involved in a detailed discussion of the border question but reportedly will restate the West German position that final borders should be "almost identical" with those existing before the 1967 war.

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[] According to the Foreign Office, the West Germans raised the idea of an EC initiative on the Middle East during a meeting last month of the EC political directors, and Genscher wants his EC colleagues to discuss the Middle East at a ministerial meeting already scheduled for January 31.

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[] In a radio interview last week, Genscher said that any EC endeavor on the Middle East would be made in "close coordination" with the new US administration. He dodged a question in the interview concerning possible participation by the PLO in Geneva, but he reportedly held a general exchange with the Arab ambassadors on the issue of PLO participation.

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[REDACTED] //West German willingness to pursue initiatives on the Middle East will depend on whether they receive support from the US and the EC.// [REDACTED]

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USSR: Grain Harvest

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[REDACTED] The Soviet need for sizable grain imports most years is due in part to excessive harvesting losses. We estimate that as a result of poor grain growing and harvesting technology, at least 10 percent of the grain grown in the USSR is not harvested, a loss rate more than double that of the US. If the Soviets could curtail these excessive losses, they could either reduce their dependence on foreign grain or use the additional grain as feed to increase production of meat, milk, and eggs.

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[REDACTED] Annual losses of unharvested grain may range from 15 to 25 million tons. Although it is impossible to harvest grain without any loss, if the Soviets could cut their loss by even one half, the increased yield would more than exceed the 6 to 8 million tons per year they have agreed to import from the US between 1976 and 1980. Without improved harvesting, Soviet grain production is likely to remain 10 to 15 million tons short of actual needs for several years.

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[REDACTED] In addition to causing grain losses, Soviet harvesting practices and weather conditions at harvest time adversely affect grain quality, contributing to additional losses during post-harvest transportation, processing, and storage. Both harvest and post-harvest losses exacerbate grain shortages in low-production years and limit Soviet capability to build up reserves in years of abundant harvests.

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[REDACTED] Because of shortcomings inherent in the varieties of grain grown in the USSR relative to climatic conditions, the Soviets usually harvest their grain while its moisture content is

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too high for efficient harvesting and storage. Moist grain is prone to mechanical and biological damage that reduces its value, especially for such high priority uses as feed, seed, and strategic reserves.

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Insufficient equipment generally delays Soviet grain harvesting long after the prime harvest period. As of 1974, each Soviet combine was required to harvest 2.2 times as much crop area and 1.7 times as much grain as harvested by a combine in the US.

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The actual load on Soviet combines is even greater than these figures indicate because, in contrast to US practice, the Soviets also use many of their combines to cut the grain into windrows for curing before it is gathered and threshed. Moreover, over three quarters of the combines are based on an outdated model introduced in 1962. At times up to one third of the combine fleet is inoperable because repairs are needed.

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Increased application of chemical fertilizer to grain crops in the USSR, now 4.5 times the 1965 level, contributes to higher loss rates as well as higher yields; the larger volume of grain plant mass-produced by fertilizer is more difficult to harvest. The Soviets have not complemented the increased application of fertilizer with better grain varieties and harvesting equipment or improved harvesting practices.

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Soviet measures to reduce the grain-loss problem do not appear adequate:

--New grain varieties will be introduced between now and 1980, but they will seed only one third of the grain area, and many of the new varieties have the same shortcomings as the old ones.

--A planned 50-percent increase in the number of farm trucks would not eliminate all of the bottlenecks in transportation of grain.

--New Soviet combine models are being introduced too slowly to cause rapid improvement in the combine fleet, and even the new models have design problems that limit their usefulness.

25X1 The quickest way the Soviets could reduce grain losses would be to make major changes in harvesting procedures, such as reducing the need for the combines to collect the straw, and encouraging more local initiative in adapting the local conditions. There is some indication that such changes are under consideration. [REDACTED]

EAST GERMANY - WEST GERMANY

25X1 [REDACTED] East Germany introduced measures last weekend apparently aimed at strengthening its claim to full sovereign control over East Berlin.

25X1 [REDACTED] New visa procedures have been imposed on all non-German visitors entering the East German capital from West Berlin. In effect, visitors must now obtain a visa even for one-day visits, valid only until midnight of the day of issuance. Previously, foreigners were permitted an overnight stay in East Berlin without a visa. The new regulation does not apply to West German citizens, permanent residents of West Berlin, or members of the Allied forces.

25X1 [REDACTED] In addition, according to personal observations by Allied officials, the East Germans have removed border control points at the East Berlin - East German boundary. The control posts were used primarily to ensure that visiting Westerners had proper visas for East Germany and, as a practical matter, to prevent Allied vehicles from straying beyond East Berlin.

25X1 [REDACTED] Removal of the posts may be part of the Honecker regime's effort to get rid of symbolic anomalies that undercut its contention that East Berlin is an integral part of East Germany.

25X1 [REDACTED] Propaganda explaining the new procedures has emphasized East Germany's right to exercise full sovereign control over its capital. In his New Year's address, party boss Honecker implicitly echoed this theme and repeated in strong terms that Bonn must accept the existence of two independent, sovereign German states as a precondition for cooperation.

25X1 [REDACTED] East German leaders have been adopting a more strident position toward Bonn. In part, this attitude reflects the leadership's sensitivity over West German media exploitation of East

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Germany's internal problems, particularly over reports about the rising numbers of applications to leave East Germany. Honecker, for example, attacked increasing "provocations" from West Germany against the boundaries of East Germany and noted that the regime "has made enough proposals" for normal relations with Bonn--suggesting that no new initiatives can be expected from the East German side for the time being.

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[] For their part, West German officials are concerned that the Honecker regime may seek to impose new procedures for West Germans wishing to travel to East Berlin. Each year, about 1,300,000 West Germans travel to the East German capital. []

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PERU-CHILE-ECUADOR: Arms Race

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[] //The governments of Peru, Chile, and Ecuador are attempting to calm tensions stirred recently by rumors of troop movements and by the resurgence of historical animosities over disputed borders. Although all sides have sought to emphasize their peaceful intentions, the underlying reasons for their rivalry--and the continuing arms race in the region--are likely to keep relations strained.//

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[] //Concern by Peru's neighbors seems certain to be heightened by the departure for Moscow this week of a high-level Peruvian air force delegation. President Morales Bermudez announced at a press conference last week that his country is buying "air materiel" from the Soviets--an apparent confirmation of earlier speculation that a deal had been concluded for SU-22 fighter-bombers.//

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[] //The Peruvian air force mission may be wrapping up details of the agreement and arranging for delivery of the aircraft. A recent disclaimer of aggressive intentions by the Peruvian President and his reiteration of earlier assertions that the aircraft purchase is intended only to replace obsolete equipment will do little to calm fears in Chile or Ecuador.//

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[] //Efforts to reduce tensions include a warm exchange of New Year messages between the Peruvian President and

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his counterparts in Santiago and Quito. Another step in this direction was an announcement that Peruvian Prime Minister Arbulu will visit Chile in early March to reciprocate a visit by Chilean Defense Minister Brady last October.//

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//Chilean and Bolivian officials are stressing the importance of friendly contacts with Peru, suggesting that they are trying to avoid further friction. Ecuador's ambassador in Lima, meanwhile, claims that communications between Ecuador and Peru have improved substantially since the furor caused by cancellation of a visit by Morales Bermudez to Quito last month. Cross-border visits by military commanders are now planned and invitations for other high-level exchanges are being contemplated.//

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//The flurry of excitement over the prospect of hostilities is likely to abate, but the longer-range danger of a military confrontation will not. Although there are some signs that discussions on the Bolivian corridor question might be revived or that summit talks between the Chilean and Peruvian presidents could be arranged, the chances for resolving complex regional problems remain slim.

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FRANCE-EC: European Parliament

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//France's Constitutional Council last week declared that a government proposal for election of French representatives to the European Parliament through universal suffrage is constitutional.//

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//The decision virtually assures passage of the bill when it comes before the French parliament in April, thereby eliminating this issue as a major political problem for President Giscard. It should also give a major boost to EC efforts to hold direct elections to the European Parliament in 1978.//

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//Ultrnationalist Gaullists had joined the French Communists in maintaining that the proposal was unconstitutional, and had threatened to block any attempt by Giscard to amend the constitution if the Council ruled against the government. With the favorable ruling, most of the Gaullists will now support the bill.//

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[REDACTED] //Socialist leader Mitterrand expects some difficulty getting the left wing of his party to support the bill. Left wing Socialists plan to support the Communist Party in opposing the proposal on the ground that a directly elected European Parliament will erode national sovereignty.//

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[REDACTED] //Giscard's reported willingness to go along with Socialist and Gaullist desires that French representatives to the European Parliament be elected on a proportional representation basis--thus avoiding the need to create new election districts--should also clear the way for quick action in the French Parliament.//

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[REDACTED] //Several problems must be worked out in other EC states, however, if the Community is to meet its goal of holding direct elections in 1978. The situation is most critical in the UK, where passage of implementing legislation could be held up by the debate in Parliament over home rule for Scotland. [REDACTED]

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MOZAMBIQUE: Internal Problems

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(C) The US embassy in Maputo [REDACTED] growing uneasiness in Mozambique in recent months caused by continuing economic problems such as food shortages, rising

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prices, and increasing unemployment, as well as by Rhodesian raids into Mozambique. The government is sensitive to reports of antiregime activity, and recently denounced the "Western press" for spreading such reports.



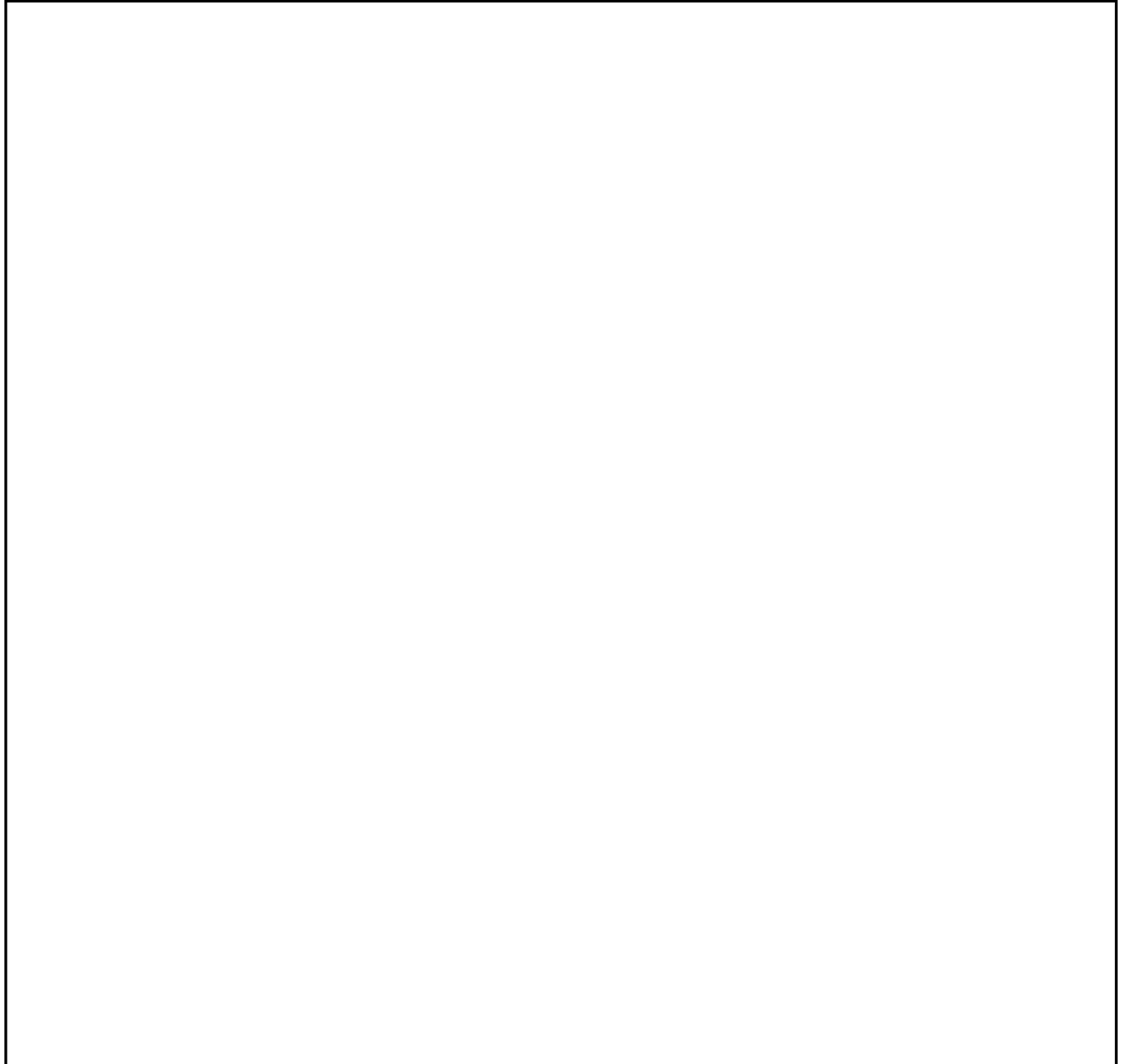
ETHIOPIA: Government Reorganization

The reorganization of Ethiopia's Provisional Military Administrative Council announced on December 29 apparently was an effort to reaffirm collective leadership and to restore balance to power relationships within the Council. The reorganization would seem to limit some of the power of Council First Vice Chairman Mengistu, but the US embassy doubts that his status has changed significantly. The government has reaffirmed its intention to follow Marxist-Leninist principles.

According to a Foreign Ministry press official, Mengistu is to concentrate on his new duties as chairman of the Council of Ministers and has lost control over some organizations that contributed greatly to his personal power.

The Foreign Ministry official apparently believes that Council Chairman Teferi, largely a figurehead in the past, and Second Vice Chairman Atnafu, who will now be responsible for security matters, were the main gainers. The embassy doubts that Teferi will be any more inclined to exercise his powers than previously and notes that Atnafu's actual control of the security forces is unclear.

The embassy assesses the change as a very modest step forward in that it delineates responsibilities more clearly and may lead to more moderate decisions. At the same time, the reorganization suggests that the military is seeking to perpetuate its control of the government rather than to prepare the way for civilian rule.



FRANCE-IRAN: Energy Development

France is deeply involved in the development of Iran's energy program, particularly nuclear and solar power. The French

believe their participation will give them a primary position in Iran's developing energy program. France also will be able to point to its experience with Iran in negotiations with other developing countries for assistance to their energy programs.

25X1 [] Under the terms of agreements concluded with Iran, France will:

--Provide technical assistance to establish a nuclear research center near Isfahan.

--Train Iranian technicians to operate nuclear reactors.

--Provide Iran with two 900-megawatt nuclear reactors, scheduled to be in operation by 1982 or 1983, and give Iran the option to buy three more.

Other agreements permit Iran to participate indirectly in Eurodif, a European uranium enrichment consortium, and provide Iran with access to 10 percent of Eurodif's production.

25X1 [] Iranian policy calls for using oil revenues to build an agro-industrial base while preserving natural gas reserves for use as chemical feedstock and as an energy source after oil resources are exhausted. The Iranians want to build nuclear reactors to provide electricity for major cities and industrial centers and to experiment with solar energy as a power source for small, isolated villages.

25X1 [] Iran's director of energy research believes solar energy is the most attractive alternative for rural electrification over the long term. A solar energy feasibility study has already been completed as part of a cooperative program with the French National Center for Scientific Research.

25X1 [] The Center is also developing a solar energy unit capable of producing 100 kilowatts of electrical and 200 kilowatts of thermal power. The first test models of the cells are likely by mid-1977, and Iran will test them for a year. If satisfactory, the cells will be mass-produced in Iran, both for use in Iranian villages and for sale to neighboring countries.

25X1 [] Iran plans to install one solar unit in each small village and two or more in large ones, making it possible to

provide energy without a vast infrastructure of central power plants and distribution systems. The thermal energy produced will be used for refrigeration and air conditioning; Iran is seeking US help in building the necessary conversion systems.

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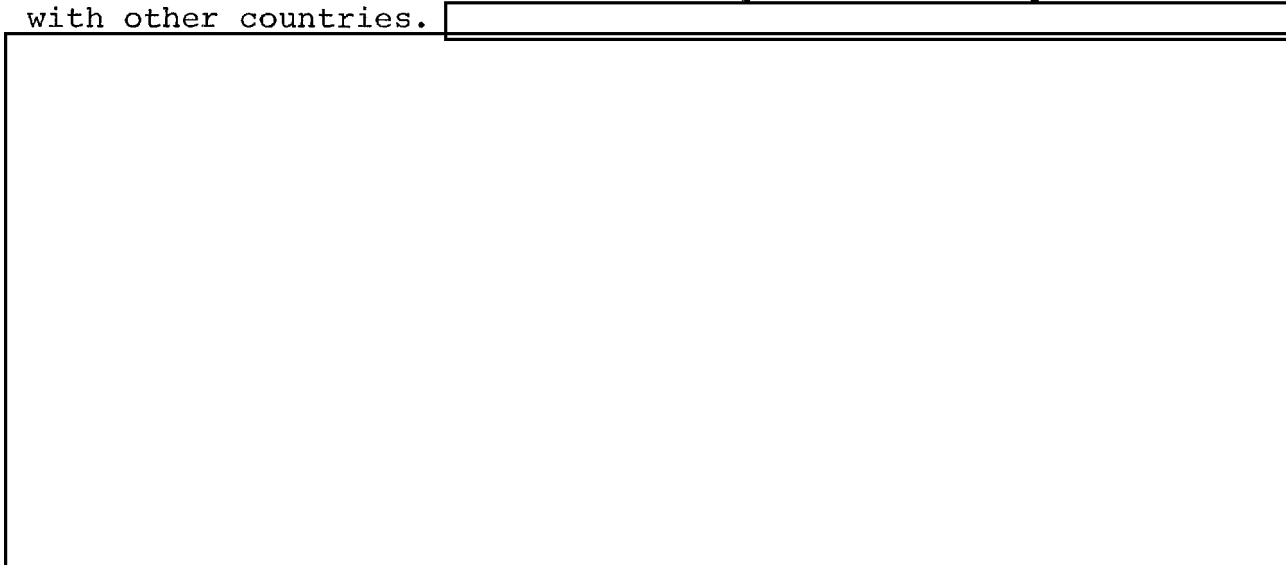
[] The cost of the solar energy cells under development is conservatively estimated at \$10,000 per kilowatt of capacity by 1980, putting the price for the Iranian rural electrification program in the billions of dollars. The project will also require storage batteries for back-up power when solar energy is not available. Once the Iranian government gains a clear appreciation of the huge expenditures required, it may be forced to reconsider the practicality of the effort.

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[] An important part of the Iranian energy program is the development of a native capability in both nuclear and non-nuclear fields in Iranian universities and associated research centers. The Iranians are acquiring substantial expertise in non-nuclear areas in particular. The focal point of this effort is the Materials and Energy Research Center, which has become a key source of advice to the government on the merits of foreign energy proposals. It also provides trained engineers and technicians for Iran's non-nuclear energy program and serves as a test and evaluation center for items produced in cooperation with other countries.

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